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NIO #1123-75

12 May 1975

MEMORANDUM TO: The Director

FROM : NIO/Economics

SUBJECT : Leo Cherne's Trip Report

### Introduction

1. As usual, Leo Cherne has written a provocative and wide-reaching report. In many ways it is an admirable piece of work. Yet at the same time there is much in the report that makes me want to argue. Given the strength of my reactions, I find it curiously difficult to articulate just what it is about this report that I find disquieting. I suppose the heart of the matter is what I perceive to be his excessively optimistic notion about the orderliness of the foreign economic policymaking process. I see this process as an intense bureaucratic competition. In these circumstances, the criterion of "satisfying the consumer" tends to break down. There are many consumers, none of which totally knows what he wants. Further, what satisfies one may antagonize another. It is this sort of complexity that I find lacking in Leo's report; yet it is precisely this sort of complexity that makes it so difficult for the community to know whether it is doing a good job in the field of economics.

### Comments on the Comments and Observations

2. (para II.A.4., p.5) The field is quite accurate in observing that defense policy and foreign political policy are organized (in Washington) in a more unitary form than is foreign economic policy. It is moot, however, whether the corollary perception "that the instruments for economic policy formation in Washington are not adequate" is much more than a Foreign Service grumble that the State Department isn't allowed to call the shots in this area the way it used to. There have been a number of attempts to restructure foreign economic policymaking and there will be further attempts. On the whole these changes tend to sum up to progress. In the meantime foreign economic policymaking remains an area in which there is intense bureaucratic competition for franchises and influence. The highly competitive character of this process tends to work to the advantage of the intelligence analyst but to the disadvantage of the intelligence collector. There are multiple demands for intelligence product by would-be policymaking entities that do not possess their own information system or agencies operating off their own turf. The intelligence collector attempting to expand his effort

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in this field faces a severe jurisdictional dispute with existing mission collectors, however. I have gone on at length on this point because it underscores a persistent characteristic of the report as a whole. The report gives great prominence to what I will call the "Foreign Service" point of view. By using this label I do not mean to imply that such a point of view is inevitably so biased as to be an inadequate precis of reality. I mean to flag only the idea that it is a partial point of view and sometimes biased. It is most likely to be biased in an area such as foreign economic policy where the State Department is in an intense competition with other policymaking entities. It is in precisely such areas that the Foreign Service is least likely to perform adequately as an "all-government" collection instrument.

3. (para II.B.2, p.7) In discussing the question of whether the economic information Washington needs is being collected, it is important to remember that the concept "Washington" means different things to different people. To a Foreign Service Officer "Washington" is likely to mean the upper reaches of the State Department. To a Treasury rep "Washington" generally means OASIA. In general, reporting is deemed adequate by the collector if his/her parent organization does not complain. A complaint by an outside entity may or may not register. If the outside entity is a policymaking competitor of the collecting organization, the response may well be that the complaining entity has no demonstrated need to know. The concept "need" is also pretty spongy. What a policymaker needs should not be confused with what he has formally listed in the way of collection requirements. "Washington" often doesn't know whether it needs something until it sees it. That isn't meant to be a put down to "Washington" but rather a commentary on the difficulty both of anticipating future requirements and of specifying needs in operational terms. Collection is (in part) a creative act, not just a passive transmittal of host-country handouts or filling of pre-specified "requirements." Filling "requirements" is not the same thing as doing a good job. And not receiving complaints is not very good evidence that a good job is being done. 25X1

5. (para II.B.4, p.9) The suspicion that DDO assessments of information worth are somehow less meaningful than assessments by "consumers" is, in my opinion, groundless. In the first place, the DDO "assessors" keep more or less in touch with the "consumers." In the second place, the "assessors" often have as good or better an appreciation of what is useful as any individual consumer. The internal rating system of the DDO is hardly perfect, but it is not self-serving.

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Comments on the Conclusions and Recommendations

6. In principle, it is impossible to take issue with Recommendation A. In practice, it will prove most difficult to achieve very much in the way of State-Treasury agreement as to the participatory role of the CIA in "economic" collection. The policymaking process in the foreign economic field is intensely competitive, and control over reporting is an important means of securing competitive advantage. The CIA should take care to avoid duplication of State-Treasury collection and to avoid assumption of major risk for minor gain, but it would be remiss if it were to act only on the basis of pre-agreed State-Treasury requests.
7. The concepts "overt" and "covert" refer to the polar values of a continuum. As such, I am not impressed by the call in Recommendation B for a clear differentiation between "overt" and "covert" requirements. That which is opaque in Moscow and transparent in Brussels is translucent in Paris. Whether deviations from transparency are sufficiently important to warrant non-overt collection is a judgemental matter on which reasonable men will disagree. Reasonable men will also disagree on what should be included under the heading "economic intelligence." Rather than seeking definitions, we should be maintaining a continuous dialogue with consumers as to what they find useful.
8. The objective of Recommendation D is important, but I do not believe the Economic Intelligence Subcommittee (EIS) of NSCIC is the appropriate vehicle for working toward this objective. Bilateral arrangements are much more likely to be effective.
9. The subject referred to in Recommendation E has been an active concern of mine. I think we have made some progress, although there is much yet to be done.
10. The subject of Recommendation F is, in my opinion, the most important matter discussed in this report. I think more is needed than a NSCIC study, however. I see no way of avoiding either unacceptable (domestic) political risk or excessively restrictive collection criteria if we do not obtain either new legislation or some form of concurrence from the State Department.

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